

TRANSPORTATION PERFORMANCE AUDIT BOARD

Wednesday, June 29, 2005
9:00 a.m. - 12 Noon
Puget Sound Regional Council Boardroom
Seattle, WA

- Minutes -

The meeting was called to order by Chair Doug Hurley at approximately 9:05 a.m. Members present were: Daley, Haugen, Hurley, Long, Ostrowski, Perteet, Pyles, Swecker and Woods.

1. Report of the Chair

- a. Introduce New Member
Chair Hurley introduced Linda Long, the State Auditor's designee to the board, Dalene Sprick, the newly appointed TPAB Administrator, and Valerie Whitener a new JLARC employee who will support TPAB in some of its audits.
- b. Minutes - The minutes of the May 6, 2005 TPAB meeting were approved.
- c. Budget Update - Diane Schwickerath, LTC staff, presented the Treasurer's Report.

2. Status Report on Consultant Selection on Graving Dock/Hood canal Bridge Project

Keenan Konopaski, JLARC staff, gave a brief history of the graving dock project, indicating that TPAB and the LTC recently approved and funded an audit of the Port Angeles Graving Dock. He indicated that JLARC undertook a solicitation in the April/May time period and selected Foth and Van Dyke to conduct the audit. Mr. Konopaski stated that Valerie Whitener, JLARC staff, will be managing the consultant and the audit. Ms. Whitener provided a status update on the project and stated that an initial conference with the consultant and the WSDOT has taken place and went very well. The consultant has now begun its fact-finding portion of the study and JLARC is pleased with their progress thus far.

3. Discussion of how to determine TPAB's role concerning the Monorail project

Chair Hurley stated that a request came in from Senator Ken Jacobson for TPAB to conduct a performance audit of the Seattle Monorail Project. He indicated that a decision will not be made today as to whether or not the board wants to conduct this audit, but rather solicit from members the kind of information they would want in order to make a decision on whether or not to audit this project.

Dalene Sprick, TPAB staff, provided members with a copy of the language of TPAB's new authority as expanded by ESB 5513 (RCW 44.75.020), in where TPAB's authority to conduct audits now includes local agencies and special purpose districts. She also briefly discussed amended RCW 44.75.110 (Scope of Performance Audit). She then provided members with a number of news articles related to the monorail project.

Member comments:

- Senator Swecker expressed the need for TPAB to have guidelines on what types of objective criteria would constitute a performance audit. While he is sensitive to the issues surrounding the monorail project, he feels there may be many other requests of a similar nature, which could ultimately spread TPAB too thin. He also stated that he felt there was a need for some objective criteria that could be used to balance such requests in the future. He requested the board reach some consensus in regards to what would bring

an issue to a level that would deem it worthy for further study. He also asked if there were criteria other groups used to make such determinations.

- John Ostrowski stated that increasing dollar amounts on projects is what typically creates concern with people. He also noted that TPAB typically focuses its attention on project management, so a revenue based audit would be new territory for TPAB. He then suggested that if the board did look at this issue, it may want to take a tactic similar to the Graving Dock (i.e. focus on how we got to where we are and what we can learn from this).
- Ann Daley echoed Senator Swecker's comments that the board would be well served to prioritize its work and focus on the key areas that would be the best use of its resources. She also stated that she doesn't feel an audit of the monorail is within TPAB's purview.
- Rich Perteet stated that he feels someone should do an independent audit of the monorail project. He indicated that he thought the bidding process on this project was highly unusual for a public project.
- Troy Pyles shared with the board that he has a conflict of interest with the monorail project. Chair Hurley asked that Mr. Pyles recuse himself from any further discussion on this project.
- Senator Haugen shared that she has concerns with the bidding process and financing aspect of this project. While she thinks someone needs to take a look at this project, she has mixed feelings as to whether or not it should be TPAB.
- Representative Woods also shared concerns regarding the bidding process and the financial aspects of this project. While she hears that the City Council may be doing their own financial audit, she feels that TPAB needs to keep this topic on the table.
- Linda Long pointed out to the board that the State Auditor's Office will be doing an audit of the monorail project and that it will begin in about three weeks. The report is expected to be issued in late fall. The report will focus on the bidding process, the legality of all expenditures to date, and the reliability of financial reporting.
- Senator Haugen stated that as a transportation body, the TPAB needs to look at transportation investment which is different than typical audits in that the board needs to talk about what the best investment is for the taxpayers. She then expressed concern that the monorail folks plan to bond out further into the future in order to cover their costs, even though the Legislature did not authorize it.
- Beverly Woods asked for clarification on who requested the State Auditor's audit of the monorail project. Ms. Long indicated that this is their regularly scheduled audit for the monorail. Ms. Long also stated that the Auditor's Office is getting a number of inquiries from the public and the media which is helping to inform the process. While the Auditor's Office are post auditors who typically review the history, Rep. Woods suggested that perhaps the Seattle City Council could ask the State Auditor to take the audit a step further and review the monorail's planned forecasting.

Ross Macfarlane, Attorney for the Seattle Monorail Project, gave a brief history and overview of the monorail project. He indicated that a very intensive review and analysis process of the monorail project is currently underway by their board. At this point, monorail staff has made a recommendation of contracts for design-build and then for operate and maintain, and also a financing strategy that would support

these contracts. Public hearings on these recommendations have been scheduled. He also indicated that they are working extensively with the Seattle City Council to provide staff and consultants with information that is needed on the monorail financing plan and revenue stream. Mr. Macfarlane also noted that they are working with the Treasurer in identifying his concerns and the best way to provide information that is responsive to those concerns.

4. Legislative Presentation of the Capital Budget Process

Gary Lebow, HTC staff, and Mike Groesch, STC staff, gave an overview of the Transportation Budget Process and Reporting. Mr. Lebow explained the budget process history, the 1990 revenue increase and the development in the mid-90's of the Transportation Executive Information System (TEIS). Mike Groesch, STC staff, gave an overview of the 2002 Referendum 51 (which did not pass), the five cent gas tax (2003 Nickel Package) that the Legislature passed in 2003, and the 2005 Transportation Partnership Package.

Mike Groesch commented that TPAB may want to look into DOT's ability to link dollars and output. He also stated that the Governor and Secretary of Transportation are responsible to make changes to the ongoing capital dollars, while the Transportation Commission is responsible for making changes to the Nickel Package and the Transportation Partnership Account.

Chair Hurley explained to the board, that he asked that this presentation be made so the Legislators and TPAB members would be on a common footing as to what the nature of the budgeting and reporting mandates from the past have been so that as TPAB moves into this fall's work, everyone understands why the differences are there and what the board might want to insist upon in the 05-07 work in coordination with the Office of Financial Management and GMAP.

5. Preliminary Report on Accountability Study

Keenan Konopaski, JLARC staff, gave an overview of the Review of Accountability Mechanisms for the Washington State Department of Transportation. He discussed the details of the scope and objectives of the review and explained several changes to the review due to legislation effective July 1, 2005. He then explained both the pre 7/05 and post 7/05 oversight structures of the Department and discussed the overlap between the entities. He indicated that a group has been formed which includes staff from the Governor's Office, OFM, Senate and House Transportation Committees, JLARC and TPAB, to discuss what the important performance measures are for the Department to demonstrate success on project delivery. In conclusion, he explained JLARC's four recommendations and the potential benefits.

Member comments:

- Troy Pyles asked for clarification on Recommendation No. 2. Chair Hurley explained the philosophy behind this recommendation.
- Senator Swecker shared concerns with Recommendation No. 4 with the evolution from programmatic reporting to capital project reporting. Greg Selstead, WSDOT staff, explained what the Department is currently doing and where it is going in terms of the new reporting recommendation.

6. Preliminary Report on Auto Theft & Discussion of Potential Recommendations

Dalene Sprick, TPAB staff, presented a preliminary review of auto theft in Washington State for the Board's review and adoption. At an earlier meeting, the board agreed to transmit a letter to the Governor's Office to communicate the importance of addressing the issue of auto theft in Washington State.

Ms. Sprick began with an overview of quick facts related to auto theft in Washington State. She then explained other impacts of auto theft, possible solutions and recommendations. The board made minor revisions to the proposed study. Senator Swecker moved and Rich Perteet seconded to transmit a letter to the Governor sending this issue to her with recommendations. Motion passed.

7. Preliminary Report on Suspended Licenses & Discussion of Potential Recommendations

This item was deferred to a later date.

The meeting was adjourned at 12:25 p.m.